

September 17, 2009

### **HOUSE PASSES BILL TO HELP MORE STUDENTS AFFORD A COLLEGE EDUCATION** **MEASURES ENDS GOVERNMENT SUBSIDIES TO BANKS**

WASHINGTON, DC – Seventh District Congressman Dave Obey (D-WI) said today that The Student Aid and Fiscal Responsibility Act (SAFRA) which was passed by the House of Representatives today is a good bill that will, “end another ten years of government subsidies to banks, estimated at \$87 billion, and use the savings for more aid to college students.”

The bill makes landmark investments in aid to college students making college more affordable – and at no additional cost to taxpayers. Private lenders have used taxpayer funds to make loans to students in bank-run lending programs for forty years. “Ending these subsidies to private lenders allows tens of billions of dollars in savings to expand access to educational opportunity for students who otherwise would not have it,” said Obey.

Currently, the federal government supports two types of student loan programs. One is the Federal Family Education Loan Program, where the government subsidizes banks that lend students money at favorable rates. The banks get a percentage of every student loan they make, and the government guarantees the lenders against loss if students default. The other is the Federal Direct Loan Program, where the government itself is the lender. Last year when the credit markets collapsed, it threatened the viability of the private, bank-run lending program.

The bill takes the savings generated from ending the subsidies to the banks and uses that to fund other student aid efforts. For example, the maximum Pell Grant would go to \$5,550 next year and up to \$6,900 by 2019. In the Seventh District of Wisconsin, about 17,600 students will be eligible for Pell Grant awards in the 2010-2011 academic year.

The bill would keep interest rates low for more than 150,000 Wisconsin students who take advantage of federal direct student loan programs. In addition, funding will go to workers and adult learners to access training programs at community college to acquire skills required for jobs of the 21st Century and financing is provided for renovations at community college campuses. Wisconsin will receive nearly \$43.6 million to help finance projects to upgrade community college facilities.

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